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FISCAL IMPACT STATEMENT

LS 7551

BILL NUMBER: HB 1549

NOTE PREPARED: Jan 9, 2003

BILL AMENDED:

SUBJECT: School Health Benefits.

FIRST AUTHOR: Rep. Oxley

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☒ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill requires the Teachers' Retirement Fund Board to establish a school health benefit plan. The bill provides for funding of the plan through biennial appropriations and school corporation and employee contributions.

Effective Date: July 1, 2003.

Explanation of State Expenditures: The state expenditures are contingent upon legislative and administrative action. Costs associated with this bill are divided into the following sections: Teachers' Retirement Fund (TRF) Board; School Health Benefit Plan Legislative Advisory Committee; and appropriations made to the School Health Benefit Plan Fund.

Teachers' Retirement Fund Board: The TRF Board shall oversee the School Health Benefit Plan Fund. The Board is responsible for collecting premiums from participating local school corporations, and employees and retirees of these corporations. The Board is responsible for determining the benefit plan offered under the Plan. The Board is also responsible for determining the amount necessary to fund coverage for benefits provided under the plan for the following biennium for employees and retired employees as a monthly premium per employee and retired employee. The Board may employ actuarial, administrative, legal, and other services required to administer the plan.

The state of Alabama employs thirteen employees at a cost of approximately \$1.28 M a year to oversee the administration of the state-run teachers' health benefit plan. This bill does not specify the source of funding for this board. **Cost:** Contingent upon administrative action.

School Health Benefit Plan Legislative Advisory Committee: This Committee is established to advise the Board on matters concerning cost containment and appropriations. This bill establishes a four-member study committee consisting of four legislators. The Committee is to operate under the policies governing study committees adopted by the Legislative Council. Legislative Council resolutions in the past have established budgets for interim study committees ranging from \$6,000 to \$9,000 per interim for committees with fewer than 16 members.

School Health Plan Fund Appropriation: The Legislature shall set the premium rate for health benefits for employees and retired employees that are covered by the fund. In addition, the Legislature shall biennially make an appropriation to the fund of an amount it determines necessary in addition to established premiums to fully fund the fund.

The bill requires the Legislature to set the employer and employee rates for health care coverage. The bill states that the Board shall present the amount necessary to fund coverage for benefits provided under the plan for the following biennium. The Legislature sets the premium rates for coverage based upon this amount. The amount of the appropriation to fund the total cost of the Plan is contingent upon the rates set by the Legislature. The Legislature may set the rates so that no additional appropriation is required. **Cost:** Contingent upon legislative action.

Explanation of State Revenues:

Explanation of Local Expenditures: This bill may decrease local expenditures for health insurance. However, this is contingent upon administrative and legislative action. The Legislature shall biennially make an appropriation to the fund of an amount determined necessary in addition to established premiums to fund the total cost of the School Health Plan.

Cost to local school districts is contingent upon the amount of this appropriation and the number of local school groups that elect to offer coverage under this option. The total expended by all local school corporations for health insurance for FY 2002 is estimated to be \$637.5 M (see table below). This cost includes both local, state, and federal revenue.

School Group Insurance FY 1998-FY 2002.

Year	Total Group Insurance	Est. Health Ins. Expenditure*	Percent Increase
FY 2002	\$689,035,799	\$637,495,921	13.55%
FY 2001	\$606,827,569	\$561,436,867	13.95%
FY 2000	\$532,537,381	\$492,703,585	12.35%
FY 1999	\$473,997,971	\$438,542,923	7.20%
FY 1998	\$442,161,448	\$409,087,772	7.94%

* Note: Health insurance expenditures are estimated and based upon the state health insurance percentage of total group insurance expenditure. Amount may vary based upon benefits offered by individual school districts.

This bill allows for a local school district to voluntarily elect to offer insurance under the new School Health

Benefit Plan. This election is irrevocable. **Cost:** contingent upon legislative and administrative action.

Background: The benefits provided to employees of local school districts are included in the collective bargaining agreement negotiated with unions representing the various employee groups. These benefits and the proportionate cost share between district and employee vary by district. It is likely that a local school district could buy into this plan only upon cessation of their current collective bargaining agreement.

As set in statute, local school districts have three options for employee health insurance: (1) participate in a state employee health plan under IC 5-10-8-6.6; (2) purchase insurance; or (3) establish and maintain a program of self-insurance. This bill establishes the fourth option: (4) participate in the School Health Benefit Plan as provided in IC 21-6.2. The first and fourth option are similar in that they allow local school corporations to pool with other entities in purchasing health insurance. In theory a larger pool of employees, such as in option one and four, should result in lower premiums. However, due to adverse selection and voluntary enrollment, the premiums for option one remain high. The average premium for coverage under option one is \$6,448 for single coverage and \$17,253 for family coverage. This compares to \$4,725 for single coverage and \$12,369 for family coverage under the state employee plan.

As of October 2002, there were 28 local unit groups that participated in the local unit group option of the state employee plan and 552 employees were enrolled. Of these 28 local unit groups, 3 are local school corporations. For the 2001-2002 school year approximately 1,900 public schools were in operation within Indiana's 294 school corporations (Note: This number includes Muncie-Burriss School Corporation).

The amount of revenue schools receive from state sources is estimated to be 81.34% after implementation of P.L. 192-2002 (ss). Prior to the implementation of P.L. 192-2002 (ss), the state provided 60.64% of local school revenue.

Explanation of Local Revenues:

State Agencies Affected: Teachers Retirement Fund.

Local Agencies Affected: Local School Corporations.

Information Sources: Department of Education Biennial Financial Reports, 2002; Keith Beesley, State Department of Personnel, 317-232-3062; Lee Hayes, Executive Director, Alabama Public Educators Employee Health Insurance Program, 1-800-214-2158 ext. 608.

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